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## **The Bank of East Asia, Limited**

*(Incorporated in Hong Kong with limited liability in 1918)*

### *Executive Directors:*

Dr. The Hon. David LI Kwok-po (*Chairman and Chief Executive*)  
Mr. Joseph PANG Yuk-wing (*Deputy Chief Executive*)  
Mr. CHAN Kay-cheung (*Deputy Chief Executive*)

### *Registered Office:*

10 Des Voeux Road Central  
Hong Kong.

### *Non-executive Directors:*

Dr. LI Fook-wo  
Dr. The Hon. Simon LI Fook-sean  
Mr. Aubrey LI Kwok-sing  
Dr. William MONG Man-wai  
Tan Sri Dr. KHOO Kay-peng  
Mr. Richard LI Tzar-kai

### *Independent Non-executive Directors:*

Mr. WONG Chung-hin  
Dr. LEE Shau-kee  
Dr. Allan WONG Chi-yun  
Mr. Winston LO Yau-lai  
Mr. Thomas KWOK Ping-kwong

*To the shareholders*

*8th March, 2004*

Dear Sir or Madam,

## **PROPOSAL RELATING TO A GENERAL MANDATE TO REPURCHASE SHARES OF THE BANK**

### **INTRODUCTION**

The purpose of this document is to provide you with information in connection with the proposal to grant a general mandate to repurchase shares of the Bank. Your approval for the said proposal will be sought at the forthcoming Annual General Meeting of the Bank to be held on Wednesday, 31st March, 2004.

### **GENERAL MANDATE TO REPURCHASE SHARES**

At the Annual General Meeting of shareholders of the Bank held on 25th March, 2003 approval was given by shareholders for the granting of, inter alia, a general mandate to the Directors to repurchase shares of the Bank on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") up to 10% of the issued share capital of the Bank at the date of passing the relevant resolution. In accordance with the terms of the approval, that general mandate will shortly expire on 31st March, 2004 upon the conclusion of the forthcoming

Annual General Meeting of the Bank to be held on that day. To keep in line with current corporate practice, the grant of fresh general mandate for the same purpose is being sought from shareholders and an ordinary resolution to grant the share repurchase mandate to the Bank's Directors will be proposed at the forthcoming Annual General Meeting. The Explanatory Statement required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be sent to shareholders in connection with the proposed share repurchase resolution are set out in the Appendix to this document.

## **RECOMMENDATION**

Your Directors consider that the above proposal is in the interests of the Bank and its shareholders and accordingly recommend that all shareholders vote in favour of the resolution to be proposed at the forthcoming Annual General Meeting of the Bank.

Yours faithfully,

**David LI Kwok-po**

*Chairman & Chief Executive*

## APPENDIX

The following is the Explanatory Statement required to be sent to shareholders under the Listing Rules in connection with the proposed general mandate for repurchase of shares and also constitutes the Memorandum required under Section 49BA of the Companies Ordinance:

- (i) At the forthcoming Annual General Meeting a resolution will be proposed that the Directors be given a general mandate to exercise all powers of the Bank to repurchase on the Stock Exchange fully paid-up ordinary shares of HK\$2.50 each in the capital of the Bank representing up to a maximum of 10% of the share capital of the Bank in issue on the date the resolution is passed (the “Repurchase Mandate”). Based on the 1,468,485,525 shares of HK\$2.50 each in the Bank (“Shares”) in issue as at 27th February, 2004 (the latest practicable date prior to the printing of this document and assuming that there is no change in respect of the issued share capital of the Bank after the latest practicable date and up to the passing of the relevant resolution), the Bank will therefore be allowed under the mandate to repurchase a maximum of 146,848,552 Shares.
- (ii) Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Mandate will be beneficial to the Bank and its shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and if there are occasions in the future when depressed market conditions arise and Shares are trading at a discount to their underlying value, the ability of the Bank to repurchase Shares will be beneficial to those shareholders who retain their investment in the Bank since their percentage interests in the assets of the Bank will increase in proportion to the number of Shares repurchased by the Bank. Furthermore, the Directors’ exercise of the mandate granted under the Repurchase Mandate may lead to an increased volume of trading in Shares on the Stock Exchange.
- (iii) The Directors propose that repurchases of Shares under the Repurchase Mandate will be financed from the available cash flow or working capital facilities of the Bank and its subsidiaries. In repurchasing Shares, the Bank may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the laws of Hong Kong.
- (iv) There may be material adverse impact on the working capital or gearing position of the Bank (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed share repurchases are to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as will, in the circumstances, have a material adverse effect on the working capital requirements of the Bank or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Bank.
- (v) There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates of the Directors of the Bank who have a present intention, in the event that the Repurchase Mandate is granted by shareholders, to sell Shares to the Bank.
- (vi) The Directors have undertaken to the Stock Exchange to exercise the power of the Bank to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the laws of Hong Kong.
- (vii) If as a result of a share repurchase a shareholder’s proportionate interest in the voting rights of the Bank increases, such increase will be treated as an acquisition of voting rights for purpose of the Hong Kong Code on Takeovers and Mergers (the “Takeover Code”). As a result, a shareholder, or group of shareholders acting in concert, would obtain or consolidate control of the Bank and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. As at 27th February, 2004 (the latest practicable date prior to the printing of this document), according to the

Register kept pursuant to Section 336 of the Securities and Futures Ordinance, East Asia International Trustees Limited ("EAIT") was deemed to be interested in 94,710,382 shares, representing 6.45% of the issued shares of the Bank, held by various trusts of which EAIT was the trustee. However, the Directors are not aware of any consequence which would arise under the Takeover Code as a consequence of any purchases pursuant to the Repurchase Mandate.

- (viii) No purchases have been made by the Bank of its Shares in the six months prior to the date of this document.
- (ix) No connected persons of the Bank (as defined in the Listing Rules) have notified it of a present intention to sell Shares to the Bank and no such persons have undertaken not to sell any such Shares to the Bank in the event that the Repurchase Mandate is granted by shareholders.
- (x) The highest and lowest prices at which Shares had traded on the Stock Exchange in each of the previous twelve months were as follows:

|                | <b>Highest</b><br><i>HK\$</i> | <b>Lowest</b><br><i>HK\$</i> |
|----------------|-------------------------------|------------------------------|
| 2003: February | 14.95                         | 13.70                        |
| March          | 15.30                         | 13.80                        |
| April          | 14.65                         | 13.40                        |
| May            | 15.05                         | 14.35                        |
| June           | 15.85                         | 14.60                        |
| July           | 16.55                         | 15.45                        |
| August         | 18.50                         | 16.00                        |
| September      | 21.30                         | 18.15                        |
| October        | 23.80                         | 20.00                        |
| November       | 25.05                         | 22.35                        |
| December       | 25.60                         | 22.00                        |
| 2004: January  | 26.00                         | 23.80                        |